

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Township of Thornapple*  
*Barry County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2006*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Township of Thornapple, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 22 and 23, is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Thornapple, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 2, 2006

## BASIC FINANCIAL STATEMENTS

**Township of Thornapple**  
**STATEMENT OF NET ASSETS**  
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 764,188	\$ 19,936	\$ 784,124
Receivables, net	141,347	122,505	263,852
Internal balances	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total current assets	925,535	122,441	1,047,976
Noncurrent assets - capital assets, net of accumulated depreciation	<u>3,394,970</u>	<u>701,699</u>	<u>4,096,669</u>
Total assets	<u>4,320,505</u>	<u>824,140</u>	<u>5,144,645</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	41,316	6,943	48,259
Deferred revenue	-	5,600	5,600
Bonds payable	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total current liabilities	191,316	12,543	203,859
Noncurrent liabilities - bonds payable	<u>1,925,000</u>	<u>-</u>	<u>1,925,000</u>
Total liabilities	<u>2,116,316</u>	<u>12,543</u>	<u>2,128,859</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,319,970	701,699	2,021,669
Restricted for:			
Public safety	152,545	-	152,545
Debt service	191,606	-	191,606
Unrestricted	<u>540,068</u>	<u>109,898</u>	<u>649,966</u>
Total net assets	<u>\$ 2,204,189</u>	<u>\$ 811,597</u>	<u>\$ 3,015,786</u>

See notes to the financial statements

**Township of Thornapple**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 14,188	\$ -	\$ -
General government	373,801	86,757	-
Public safety	511,922	135,226	-
Public works	53,884	3,065	4,630
Community and economic development	60,064	10,886	-
Interest on long-term debt	64,900	-	-
Total governmental activities	<u>1,078,759</u>	<u>235,934</u>	<u>4,630</u>
Business-type activities:			
Ambulance	373,797	396,175	-
Sewer	84,344	73,732	-
Total business-type activities	<u>458,141</u>	<u>469,907</u>	<u>-</u>
Totals	<u>\$ 1,536,900</u>	<u>\$ 705,841</u>	<u>\$ 4,630</u>

General revenues:  
Property taxes  
State shared revenue  
Unrestricted interest income  
Other  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (14,188)		\$ (14,188)
(287,044)		(287,044)
(376,696)		(376,696)
(46,189)		(46,189)
(49,178)		(49,178)
(64,900)		(64,900)
<u>(838,195)</u>		<u>(838,195)</u>
	\$ 22,378	22,378
	<u>(10,612)</u>	<u>(10,612)</u>
	<u>11,766</u>	<u>11,766</u>
<u>(838,195)</u>	<u>11,766</u>	<u>(826,429)</u>
610,996	-	610,996
270,940	-	270,940
19,201	744	19,945
16,283	-	16,283
<u>(17,943)</u>	<u>17,943</u>	<u>-</u>
<u>899,477</u>	<u>18,687</u>	<u>918,164</u>
61,282	30,453	91,735
<u>2,142,907</u>	<u>781,144</u>	<u>2,924,051</u>
<u>\$ 2,204,189</u>	<u>\$ 811,597</u>	<u>\$ 3,015,786</u>

See notes to the financial statements



**Township of Thornapple**  
**BALANCE SHEET - governmental funds**  
 March 31, 2006

	<b>Major funds</b>		
	<b>General</b>	<b>Fire</b>	<b>Debt Service</b>
<b>ASSETS</b>			
Cash	\$ 475,686	\$ 85,563	\$ 201,760
Receivables	75,985	49,216	16,146
Due from other funds	34,533	52,200	-
Total assets	<u>\$ 586,204</u>	<u>\$ 186,979</u>	<u>\$ 217,906</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 10,115	\$ 4,901	\$ -
Due to other funds	37,200	29,533	-
Total liabilities	<u>47,315</u>	<u>34,434</u>	<u>-</u>
Fund balances:			
Reserved for debt service	-	-	217,906
Unreserved, undesignated	538,889	152,545	-
Total fund balances	<u>538,889</u>	<u>152,545</u>	<u>217,906</u>
Total liabilities and fund balances	<u>\$ 586,204</u>	<u>\$ 186,979</u>	<u>\$ 217,906</u>

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 5)

<b><i>Nonmajor fund</i></b>	<b><i>Total governmental funds</i></b>
<b><i>Capital Project</i></b>	
\$ 1,179	\$ 764,188
-	141,347
-	86,733
<u>\$ 1,179</u>	<u>\$ 992,268</u>
\$ -	\$ 15,016
-	66,733
<u>-</u>	<u>81,749</u>
-	217,906
1,179	692,613
<u>1,179</u>	<u>910,519</u>
<u>\$ 1,179</u>	<u>\$ 992,268</u>
	\$ 910,519
	3,394,970
	<u>(2,101,300)</u>
	<u>\$ 2,204,189</u>

See notes to the financial statements

**Township of Thornapple****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	<b>Major funds</b>		
	<b>General</b>	<b>Fire</b>	<b>Debt Service</b>
<b>REVENUES</b>			
Property taxes	\$ 273,366	\$ 206,544	\$ 206,983
State grants	275,570	-	-
Charges for services	21,746	130,784	-
Interest and rentals	12,580	1,686	4,900
Other	19,348	4,442	-
Total revenues	602,610	343,456	211,883
<b>EXPENDITURES</b>			
Legislative	14,188	-	-
General government	352,099	-	1,250
Public safety	-	393,075	-
Public works	48,803	-	-
Community and economic development	60,064	-	-
Capital outlay	5,081	260	-
Debt service:			
Principal	-	-	125,000
Interest	-	-	65,600
Total expenditures	480,235	393,335	191,850
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	122,375	(49,879)	20,033
<b>OTHER FINANCING USES</b>			
Transfer out	(17,943)	-	-
<b>NET CHANGES IN FUND BALANCES</b>	104,432	(49,879)	20,033
<b>FUND BALANCES - BEGINNING</b>	434,457	202,424	197,873
<b>FUND BALANCES - ENDING</b>	\$ 538,889	\$ 152,545	\$ 217,906

<b><i>Nonmajor fund Capital Project</i></b>	<b><i>Total governmental funds</i></b>
\$ -	\$ 686,893
-	275,570
-	152,530
35	19,201
-	23,790
<u>35</u>	<u>1,157,984</u>
-	14,188
-	353,349
-	393,075
-	48,803
-	60,064
5,641	10,982
-	125,000
-	65,600
<u>5,641</u>	<u>1,071,061</u>
(5,606)	86,923
-	(17,943)
(5,606)	68,980
<u>6,785</u>	<u>841,539</u>
<u>\$ 1,179</u>	<u>\$ 910,519</u>

See notes to the financial statements

***Township of Thornapple***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended March 31, 2006*

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Net change in fund balances - total governmental funds (page 8)	\$ 68,980
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Deduct: Provision for depreciation	(133,398)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net assets.

125,000
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Decrease in accrued interest payable	<u>700</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 61,282</u>
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*See notes to the financial statements*

**Township of Thornapple**  
**STATEMENT OF NET ASSETS - proprietary funds**

March 31, 2006

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 16,978	\$ 2,958	\$ 19,936
Receivables, net	<u>129,965</u>	<u>620</u>	<u>130,585</u>
Total current assets	146,943	3,578	150,521
Noncurrent assets - capital assets, net of accumulated depreciation	<u>113,799</u>	<u>587,900</u>	<u>701,699</u>
Total assets	<u>260,742</u>	<u>591,478</u>	<u>852,220</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	4,034	2,909	6,943
Due to other funds	15,000	5,000	20,000
Deferred revenue	<u>13,680</u>	<u>-</u>	<u>13,680</u>
Total liabilities	<u>32,714</u>	<u>7,909</u>	<u>40,623</u>
<b>NET ASSETS</b>			
Invested in capital assets	113,799	587,900	701,699
Unrestricted	<u>114,229</u>	<u>(4,331)</u>	<u>109,898</u>
Total net assets	<u>\$ 228,028</u>	<u>\$ 583,569</u>	<u>\$ 811,597</u>

See notes to the financial statements

**Township of Thornapple**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - proprietary funds**  
Year ended March 31, 2006

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services, net of contractual adjustments	\$ 395,490	\$ 73,710	\$ 469,200
Other	<u>685</u>	<u>22</u>	<u>707</u>
Total operating revenues	<u>396,175</u>	<u>73,732</u>	<u>469,907</u>
<b>OPERATING EXPENSES</b>			
Personnel costs	248,504	10,457	258,961
Supplies	21,353	301	21,654
Contracted services	15,114	5,740	20,854
Repairs and maintenance	14,148	45,111	59,259
Insurance	20,793	3,149	23,942
Utilities	15,692	1,533	17,225
Bad debts	8,913	-	8,913
Miscellaneous	4,081	1,555	5,636
Depreciation	<u>25,199</u>	<u>16,498</u>	<u>41,697</u>
Total operating expenses	<u>373,797</u>	<u>84,344</u>	<u>458,141</u>
Operating income (loss)	22,378	(10,612)	11,766
<b>NONOPERATING REVENUE</b>			
Interest revenue	<u>107</u>	<u>637</u>	<u>744</u>
<b>INCOME (LOSS) BEFORE TRANSFER</b>	22,485	(9,975)	12,510
<b>TRANSFER IN</b>			
General Fund	<u>17,943</u>	<u>-</u>	<u>17,943</u>
<b>CHANGES IN NET ASSETS</b>	40,428	(9,975)	30,453
<b>NET ASSETS - BEGINNING</b>	<u>187,600</u>	<u>593,544</u>	<u>781,144</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 228,028</u>	<u>\$ 583,569</u>	<u>\$ 811,597</u>

See notes to the financial statements

**Township of Thornapple**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2006

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 314,015	\$ 73,289	\$ 387,304
Payments to vendors and suppliers	(147,305)	(56,416)	(203,721)
Payments to employees	(204,336)	(10,457)	(214,793)
Net cash provided by (used in) operating activities	(37,626)	6,416	(31,210)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in - General Fund	17,943	-	17,943
Increase (decrease) in due to other funds	(5,000)	5,000	-
Net provided by noncapital financing activities	12,943	5,000	17,943
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(20,096)	(20,096)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	107	637	744
<b>NET DECREASE IN CASH</b>	(24,576)	(8,043)	(32,619)
<b>CASH - BEGINNING</b>	41,554	11,001	52,555
<b>CASH - ENDING</b>	\$ 16,978	\$ 2,958	\$ 19,936
<b>Reconciliation of operating income (loss) to net provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 22,378	\$ (10,612)	\$ 11,766
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	25,199	16,498	41,697
Increase in receivables	(71,652)	(443)	(72,095)
Increase (decrease) in:			
Payables	(11,956)	973	(10,983)
Deferred revenue	(1,595)	-	(1,595)
Net cash provided by (used in) operating activities	\$ (37,626)	\$ 6,416	\$ (31,210)

See notes to the financial statements



**Township of Thornapple**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
March 31, 2006

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**ASSETS**

Cash	\$ 322,507
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**LIABILITIES**

Payables	\$ 322,507
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See notes to the financial statements

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Thornapple, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for specific revenues, derived primarily from property taxes that are to be expended for fire protection.

The Debt Service Fund accounts for the accumulation of resources restricted for, and the payment of, governmental debt principal, interest, and related costs.

The Township reports the following major proprietary funds:

The Ambulance Fund accounts for the activities of the Township's ambulance service.

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity:**

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer system	50 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variances.

**NOTE 3 - CASH:**

The Township's cash is presented in the financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 764,063	\$ 19,936	\$ 322,507	\$ 1,106,506
Cash on hand	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>
	<u>\$ 764,188</u>	<u>\$ 19,936</u>	<u>\$ 322,507</u>	<u>\$ 1,106,631</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$852,164 of the Township's bank balances of \$1,140,084 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:				
General	\$ 9,779	\$ 21,129	\$ 45,077	\$ 75,985
Fire	32,811	16,405	-	49,216
Debt Service	-	16,146	-	16,146
Total governmental activities	<u>\$ 42,590</u>	<u>\$ 53,680</u>	<u>\$ 45,077</u>	<u>\$ 141,347</u>
Proprietary funds:				
Ambulance	\$ 129,965	\$ -	\$ -	\$ 129,965
Sewer	620	-	-	620
Total business-type activities	<u>\$ 130,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,585</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 260,250	\$ -	\$ -	\$ 260,250
Capital assets being depreciated:				
Buildings	2,577,517	-	-	2,577,517
Equipment and vehicles	1,079,912	-	-	1,079,912
Subtotal	<u>3,657,429</u>	<u>-</u>	<u>-</u>	<u>3,657,429</u>
Less accumulated depreciation:				
Buildings	174,967	64,438	-	239,405
Equipment and vehicles	214,344	68,960	-	283,304
Subtotal	<u>389,311</u>	<u>133,398</u>	<u>-</u>	<u>522,709</u>
Total capital assets being depreciated, net	<u>3,268,118</u>	<u>(133,398)</u>	<u>-</u>	<u>3,134,720</u>
Governmental activities capital assets, net	<u>\$ 3,528,368</u>	<u>\$ (133,398)</u>	<u>\$ -</u>	<u>\$ 3,394,970</u>

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Sewer system	824,898	20,096	-	844,994
Office equipment	259,208	-	-	259,208
Subtotal	<u>1,084,106</u>	<u>20,096</u>	<u>-</u>	<u>1,104,202</u>
Less accumulated depreciation:				
Sewer system	240,596	16,498	-	257,094
Office equipment	145,210	25,199	-	170,409
Subtotal	<u>385,806</u>	<u>41,697</u>	<u>-</u>	<u>427,503</u>
Total capital assets being depreciated, net	<u>698,300</u>	<u>(21,601)</u>	<u>-</u>	<u>676,699</u>
Business-type activities capital assets, net	<u>\$ 723,300</u>	<u>\$ (21,601)</u>	<u>\$ -</u>	<u>\$ 701,699</u>

Depreciation expense was charged to the Township's governmental functions as follows:

Governmental activities:	
General government	\$ 20,452
Public safety	<u>112,946</u>
Total governmental activities	<u>\$ 133,398</u>

**NOTE 6 - NONCURRENT LIABILITIES:**

At March 31, 2006, noncurrent liabilities are comprised of the following individual issue:

Governmental activities - bonds	
\$2,275,000 2003 Limited Tax General Obligation Bonds; due in annual installments of \$75,000 to \$350,000 plus interest, ranging from 2.00% to 3.35%, through November 2013.	<u>\$2,075,000</u>

**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - NONCURRENT LIABILITIES (Continued):**

Noncurrent liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2003 Bonds	\$ 2,200,000	\$ -	\$ (125,000)	\$ 2,075,000	\$ 150,000

At March 31, 2006, debt service requirements were as follows:

<u>Year ended March 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 150,000	\$ 63,100
2008	200,000	59,724
2009	225,000	54,524
2010	250,000	48,224
2011	275,000	40,412
2012 - 2014	<u>975,000</u>	<u>65,902</u>
Totals	<u>\$ 2,075,000</u>	<u>\$ 331,886</u>

**NOTE 7 - PAYABLES:**

Payables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Accrued Liabilities</u>	<u>Total</u>
Governmental funds:			
General Fund	\$ 9,587	\$ 528	\$ 10,115
Fire Fund	<u>4,901</u>	<u>-</u>	<u>4,901</u>
Total	<u>\$ 14,488</u>	<u>\$ 528</u>	<u>\$ 15,016</u>
Proprietary funds:			
Ambulance	\$ 4,034	\$ -	\$ 4,034
Sewer	<u>2,909</u>	<u>-</u>	<u>2,909</u>
Total	<u>\$ 6,943</u>	<u>\$ -</u>	<u>\$ 6,943</u>



**Township of Thornapple**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Fire	\$ 52,200	General	\$ 37,200
		Ambulance	15,000
			<u>52,200</u>
General	<u>34,533</u>	Sewer	5,000
		Fire	<u>29,533</u>
			<u>34,533</u>
Totals	<u>\$ 86,733</u>	Totals	<u>\$ 86,733</u>

The balance due to the Fire Fund represents a loan for a capital asset acquisition in prior years. The balances owed to the general fund represent temporary cash flow assistance in the current year.

The interfund transfer for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Ambulance	\$ <u>17,943</u>	General	\$ <u>17,943</u>

This transfer moved unrestricted revenues, collected in the General Fund, to the Ambulance Fund to finance a portion of ambulance service operating costs in accordance with budgetary authorizations.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

***Township of Thornapple***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all of its full-time and regular part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a 90-day waiting period. The Township contributes to the plan an amount equal to 6% of the compensation of union employees and 5% of the compensation of nonunion employees. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$23,175 for the year ended March 31, 2006.

**NOTE 11 - JOINT VENTURE:**

The Township is a participant in the Thornapple Area Parks and Recreation Commission (the Commission) along with the Village of Middleville (the Village) and the Thornapple Kellogg School District (the School District). The Administrative Board of the Commission consists of members appointed by each participating unit. The Commission was formed for the purpose of providing recreation services to the Thornapple area. The Township has no equity interest in the Commission; therefore, financial information of the Commission has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Commission are supported by contributions from the Township, the Village, and the School District, each of which contributes one third of the Commission's budget. During the year ended March 31, 2006, the Township paid the Commission \$3,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Thornapple**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 291,250	\$ 291,250	\$ 273,366	\$ (17,884)
State grants	262,000	262,000	275,570	13,570
Charges for services	24,200	24,200	21,746	(2,454)
Interest	3,000	3,000	12,580	9,580
Other	28,500	28,500	19,348	(9,152)
Total revenues	<u>608,950</u>	<u>608,950</u>	<u>602,610</u>	<u>(6,340)</u>
<b>EXPENDITURES</b>				
Legislative	12,550	15,750	14,188	1,562
General government	369,604	372,444	352,099	20,345
Public works	99,965	51,965	48,803	3,162
Community and economic development	65,450	62,450	60,064	2,386
Capital outlay	3,250	3,250	5,081	(1,831)
Total expenditures	<u>550,819</u>	<u>505,859</u>	<u>480,235</u>	<u>25,624</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	58,131	103,091	122,375	19,284
<b>OTHER FINANCING USES</b>				
Transfers out - Ambulance Fund	<u>(30,000)</u>	<u>(30,000)</u>	<u>(17,943)</u>	<u>12,057</u>
<b>NET CHANGES IN FUND BALANCES</b>	28,131	73,091	104,432	31,341
<b>FUND BALANCES - BEGINNING</b>	<u>434,457</u>	<u>434,457</u>	<u>434,457</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 462,588</u>	<u>\$ 507,548</u>	<u>\$ 538,889</u>	<u>\$ 31,341</u>

**Township of Thornapple**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2006

	<b><u>Original budget</u></b>	<b><u>Amended budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance favorable (unfavorable)</u></b>
<b>REVENUES</b>				
Property taxes	\$ 210,000	\$ 210,000	\$ 206,544	\$ (3,456)
Charges for services	125,116	125,116	130,784	5,668
Interest	300	300	1,686	1,386
Other	<u>1,000</u>	<u>1,000</u>	<u>4,442</u>	<u>3,442</u>
Total revenues	<u>336,416</u>	<u>336,416</u>	<u>343,456</u>	<u>7,040</u>
<b>EXPENDITURES</b>				
Public safety	402,193	414,193	393,075	21,118
Capital outlay	<u>500</u>	<u>500</u>	<u>260</u>	<u>240</u>
Total expenditures	<u>402,693</u>	<u>414,693</u>	<u>393,335</u>	<u>21,358</u>
<b>NET CHANGES IN FUND BALANCES</b>	(66,277)	(78,277)	(49,879)	28,398
<b>FUND BALANCES - BEGINNING</b>	<u>202,424</u>	<u>202,424</u>	<u>202,424</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 136,147</u>	<u>\$ 124,147</u>	<u>\$ 152,545</u>	<u>\$ 28,398</u>